

VZCZCXRO1660
PP RUEHFK RUEHKSO RUEHNAG RUEHNH
DE RUEHKO #0511/01 0650753
ZNR UUUUU ZZH
P 060753Z MAR 09
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 1285
INFO RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY
RUEAWJA/USDOJ WASHDC PRIORITY
RULSDMK/USDOT WASHDC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC//J5//
RHHMUNA/HQ USPACOM HONOLULU HI
RHHMHBA/COMPACFLT PEARL HARBOR HI
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA//
RHMFIUU/USFJ //J5/JO21//
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA
RUAYJAA/CTF 72
RUEHNH/AMCONSUL NAHA 5154
RUEHFK/AMCONSUL FUKUOKA 2807
RUEHOK/AMCONSUL OSAKA KOBE 6598
RUEHNAG/AMCONSUL NAGOYA 0599
RUEHKSO/AMCONSUL SAPPORO 3357
RUEHBJ/AMEMBASSY BEIJING 8105
RUEHUL/AMEMBASSY SEOUL 4127
RUCNDT/USMISSION USUN NEW YORK 4052

UNCLAS SECTION 01 OF 10 TOKYO 000511

SIPDIS

DEPT FOR E, P, EB, EAP/J, EAP/P, EAP/PD, PA;
WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION;
TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS OFFICE;
SECDEF FOR JCS-J-5/JAPAN,
DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA
FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR;
CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)

SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 03/06/09

INDEX:

(1) North Korea steadily preparing missile launch (Part 1): Newly constructed structure seems designed to inject fuel confirmed (Asahi)

(2) North Korea steadily preparing missile launch (Part 2): Pyongyang aiming to break impasse in relations with U.S. (Asahi)

(3) DPJ coordinating vote against Guam pact (Okinawa Times) 3
(4) Ozawa's statement contradicts the facts, such as agreement and use of good offices (Sankei)

(5) Asahi survey of local governments on cash handout scheme: Majority of municipalities will start distribution in April or later: 36 PERCENT reply they are looking forward effects of measure (Asahi)

(6) Employment reconstruction - labor, management in anguish - part 1: Banks suddenly change attitude in face of possible March crisis: Company resorting to "repayment crunch" at risk of corporate life (Tokyo Shimbun)

(7) TOP HEADLINES

(8) EDITORIALS

(9) Prime Minister's schedule, March 5 (Nikkei)

(Corrected copy): North Korean missile: Japan, U.S. confirm close collaboration (Nikkei)

(Corrected copy): Premier plans to visit Europe during early May

Golden Week holidays: Coordination under way for Japan-EU summit in Czech (Nikkei)

ARTICLES:

(1) North Korea steadily preparing missile launch (Part 1): Newly constructed structure seems designed to inject fuel confirmed

ASAHI (Page 2) (Abridged)
March 6, 2009

North Korea is steadily preparing to launch possibly a long-range ballistic missile, Taepodong-2. Although a missile has yet to be installed on the launch pad, the assembly work may have been almost completed.

Present state of missile base

There is a missile base in Musudan, North Hamgyong province, which is located very close to the Sea of Japan. Based on information on mobilization of goods obtained through spy satellites, authorities of the U.S. and South Korea governments have said that North Korea has almost completed the assembly work as of March 5, leaving only such works as installing what is to lift off on the launch pad and injecting fuel.

The two governments detected a new structure that seems designed to send out fuel into a rocket. The injection of liquid fuel through an underground pipeline is expected to be completed in a day or so, though it took four or five days by tanker at the time of the last

TOKYO 00000511 002 OF 010

missile test-firing in July 2006. According to experts of Japan, the U.S. and South Korea expect three days, at the earliest, to be taken until the missile lifts off after it is taken out.

A freight car that took on containers left a munitions plant in North Pyongan in late January and the containers were transported into an assembly building in the military base. Seeing North Korea's ongoing moves are very similar to the scenes observed when it fired the Taepodong-2 in 2006, the South Korean Defense Ministry believes the North is preparing the same type of missile. But there is no sign of an actual missile on the base yet.

Since Feb. 24, North Korea has repeatedly announced it is preparing to launch a satellite. It has also said that it is planning to launch within several years working satellites needed for national economic development, such as telecommunications, resource exploration, and weather forecasting.

A South Korean government source said: "North Korea would most like to have its own satellites." In its past test fires, North Korea fired a missile in the direction of the east. But some analysts anticipate that this time, a missile might be fired in the direction of the north - the direction of Russia and China - or the south - the Kyushu part of Japan, in order to put the satellite on the polar orbit that connects the North Pole and the South Pole.

(2) North Korea steadily preparing missile launch (Part 2):
Pyongyang aiming to break impasse in relations with U.S.

ASAHI (Page 2) (Full)
March 6, 2009

Why at this time

Seeing North Korea's moves to launch a missile, many analysts speculate that Pyongyang is aiming at increasing tensions to draw attention from the Obama administration and carry out negotiations in its favor. They also see the North's desire to solidify unity in the nation and enhance national prestige.

North Korea has invited U.S. experts on peninsula affairs to visit the nation, as represented by its invitation to Special Representative for Policy on North Korea Stephen Bosworth last month, even before he assumed his post. The North is undoubtedly

hoping to break the impasse in its relations with the U.S., taking advantage of the inauguration of a new Democrat administration. Meanwhile, the U.S. government is willing to continue the policy of dialogue, even while taking a tough stance, as Secretary of State Hillary Clinton said: "A missile launch is provocative and would be unhelpful (to moving forward its relationship with the U.S.)"

Ambassador Bosworth, who arrived in Japan as part of an Asian tour yesterday, set Seoul as the last destination of the tour in preparation for visiting Pyongyang if there is a call from that nation. A researcher at the Korea Institute for Defense Analyses said: "There is a 70 PERCENT possibility of the North launching a missile, but a drastic compromise (between the U.S. and North Korea) is also 70 PERCENT possible."

North Korean leader Kim Jong Il's health problems have been reported since last summer. Since early this year, Kim has provided more "field guidance" than in past years. A number of measures have been

TOKYO 00000511 003 OF 010

taken to strengthen the regime, such as steps to tighten market regulations. The North Korean media have also reported on "preparations to launch a satellite," encouraging the people with these words: "The nation will take a major step toward becoming an major economic power."

When will the North actually fire a missile? North Korea has fiercely reacted to the planned joint military drill by the U.S. and South Korea from March 9 - 20, but an observer said: "During this period, machinery will freeze up, it will be difficult to conduct precise work."

The Supreme People's Congress will be held in April, in which Kim is expected to be reelected as National Defense Committee chairman. In 1998, the North fired a Taepodong-2 several days before the Supreme People's Congress opened. April 15, is the birthday of the late Kim Il Sung. April 25 is the day of commemoration of the establishment of the Korean People's Army. On these days, the launch of a missile could be effectively stage-managed.

(3) DPJ coordinating vote against Guam pact

OKINAWA TIMES (Page 1) (Abridged)
March 6, 2009

The Japanese and U.S. governments have now signed an agreement relating to the planned relocation of U.S. Marines in Okinawa to Guam, and the Guam relocation pact is now before the Diet for its approval. In response, the leading opposition Democratic Party of Japan (Minshuto) has entered into final coordination to vote against the pact. The Japanese Communist Party, the Social Democratic Party, the People's New Party, and other opposition parties have also decided to vote against it. The ruling and opposition parties are clearly at odds with the government over the Guam agreement.

The Guam relocation pact, a treaty up for Diet ratification, is expected to enter into parliamentary deliberations at the House of Representatives Foreign Affairs Committee on March 25 or later. The ruling coalition of the Liberal Democratic Party and the New Komeito wants to have the Guam relocation pact passed through the House of Representatives in early April and send it to the House of Councillors. The Guam pact, even if it is voted down in the House of Councillors, will likely come into effect in late April or in early May with the House of Representatives' constitutional precedence over the House of Councillors.

When the Diet was in its ordinary session last year, the House of Representatives Foreign Affairs Committee deliberated for two days on a new special agreement regarding Japan's burden of sharing costs for the stationing of U.S. forces in Japan (omoiyari yosan or literally "sympathy budget"). A similar schedule is expected for the Guam relocation pact as well.

The DPJ is aiming for a change of government in the next election for the House of Representatives, so the party is expected to avoid raising an explicit objection to the realignment of U.S. forces in

Japan from its stance of attaching importance to relations with the United States. However, the DPJ will oppose the Guam relocation pact while pointing to the Japanese government's murky spending on the Guam relocation and its lack of explanations.

A DPJ executive told the Okinawa Times: "We have said the government
TOKYO 00000511 004 OF 010

has been failing to fulfill its accountability on what is related to the U.S. force realignment. We will continue to pursue this."

The opposition bench is therefore expected to oppose the Guam relocation pact, asserting that the Diet has not fully deliberated on it. The ruling coalition, which holds a majority of the seats in the House of Representatives, is highly likely to ram the pact through the Diet.

(4) Ozawa's statement contradicts the facts, such as agreement and use of good offices

SANKEI (Page 1) (Abridged slightly)
March 6, 2009

Democratic Party of Japan (DPJ) President Ichiro Ozawa held a news conference (on March 4) in connection with the case of his fund-management organization having received de facto corporation donations from Nishimatsu Construction Co. in violation of the Political Funds Control Law. Although Ozawa flatly denied during his press conference any wrongdoing, the investigation by the special unit of the Tokyo District Public Prosecutors Office has exposed several areas that conflict with Ozawa's explanation. The special investigation unit is likely to question Ozawa. It is inevitable that calls will grow for Ozawa to offer additional explanations to the public regarding those contradictions.

Awareness

In the March 4 news conference, Ozawa indicated that he did not think there was a problem, saying, "My view was that the money was donations from political organizations and that is why my fund-management body received them."

According to the investigation, Ozawa's first state-paid secretary and Rikuzan-kai's chief accountant Takanori Okubo, 47, is believed to have decided with the Nishimatsu side to set the total amount of annual donations at about 25 million yen. The investigation team believes this shows Ozawa's deep involvement in the donation scandal.

As a general rule, in the past, a person who violated the Political Funds Control Law was indicted without arrest or detention. This time around, it seems that the investigation squad arrested (Okubo and others) after the raid, taking seriously Nishimatsu's cunning practice of returning its employees' payments to the Ozawa side in the form of adding those amounts to their bonuses.

Ozawa expressed his anger with the "unprecedented investigation," saying, "I don't think there have been any examples of arrests and compulsory investigations over this sort of problem in the past." If an agreement had existed between the Ozawa side and Nishimatsu on donations, that would make Ozawa's donations-from-political-organizations explanation false.

Discrepancies

Although Ozawa remained calm throughout the new conference, he raised his voice when answering a reporter's question asking whether or not his side had given favors to any parties in return for receiving donations.

TOKYO 00000511 005 OF 010

Ozawa replied: "If I or my secretary had provided favors to the donating party, we would readily accept the investigation. But

neither of us has done such a thing."

But discrepancies have emerged from the investigation. For instance, Okubo allegedly used his good offices in connection with the construction of facilities linked to the Isawa Dam project in Iwate Prefecture that was ordered in March 2006 by the Land and Infrastructure Ministry's Tohoku Regional Development Bureau. Former Nishimatsu President Mikio Kunisawa, 70, and others allegedly admitted that they had asked Okubo to maneuver to award some construction works to Nishimatsu and that they won some works because of large donations.

Checking

In the press conference, Ozawa offered the explanation by using the words "common sense," saying: "It is common sense not to pry into where the money comes from. We simply trust people's goodwill. The income and expenditures of my political organization have been fully disclosed."

A reporter posed a question asking about his responsibility to check matters as the head of Rikuzan-kai. Ozawa replied: "It is impossible for me to check where every single donation comes from." Asked if he intended to offer an apology, Ozawa said: "I do not see any reason to do so."

Ozawa also declared, "There is no problem," despite the fact that he had neither checked the donations nor knew about the details. That, too, can be said to be contradictory. Investigators are expected to question Ozawa about such a view, as well. The DPJ president is likely to be pressed for additional explanation at a news conference and other venues.

(5) Asahi survey of local governments on cash handout scheme: Majority of municipalities will start distribution in April or later: 36 PERCENT reply they are looking forward effects of measure

ASAHI (Page 1) (Excerpts)
March 5, 2009

Bills related to the fiscal 2008 second extra budget designed to secure fiscal resources to finance the government's cash handout scheme were enacted on March 4. However, according to a poll the Asahi Shimbun conducted on municipalities throughout the nation, a majority of them will not be able to distribute benefits until April or later. The Aso administration has pledged to distribute benefits within the current fiscal year. However, the pledge has now been effectively broken. Nearly half the respondents replied that they are trying to take various measures to encourage recipients to use the money locally. The poll also found that they it will be difficult to find ways to distribute the benefits to homeless people, as well.

Questionnaires were sent to all 1,804 municipalities by mail, eliciting responses from 1,691 municipalities or 94 PERCENT . Nishi-Okoppe Village in Hokkaido and Nishimeya Village in Aomori Prefecture will start distribution from the 5th.

Only 16 PERCENT replied that they would be able to start

TOKYO 00000511 006 OF 010

distribution before the end of the current fiscal year. Others replied, "do not know." The number of municipalities that will not be able to distribute until the new fiscal year starts will likely increase.

Since application forms will be sent, based on the basic resident registers, it is impossible to give the handouts to those whose names are not listed in the registers, such as homeless people. The reply "looking into ways to distribute the money to such people as well" was chosen by 32 PERCENT of the respondents. However, almost no municipalities gave specific measures, noting that they are waiting for an instruction from the state.

Many municipalities gave a number of specific measures to promote

local consumption, such as issuing coupons attached with premiums to have them purchased by recipients. Under this method, the premiums will be financed by the municipalities that issued those coupons. The premiums will like be between 10 PERCENT -20 PERCENT of the cash handout. Nishi-Okkope Village will subsidize 67 PERCENT -- the largest among respondents. Municipalities that are considering methods to urge local consumption reached 47 PERCENT .

To a question on the effects of cash handouts in terms of helping people's livelihood and stimulating the economy, 36 PERCENT replied, "Such effects can be expected," while 11 PERCENT replied, "Such effects cannot be expected." To a question on whether pollees think the policy satisfies citizens, the reply "do not think so" was given by 20 PERCENT of respondents, while 13 PERCENT answered otherwise. As reasons why they are not satisfied, the replies "pork-barrel largesse" and "passing the buck to the future" were cited. Some replied that the distribution of handouts will boost public approval ratings (for the cabinet). However, it appears difficult to expect such an effect under the present circumstances.

The cash handout scheme is characterized as an administrative duty to be carried out by local governments, based on their own judgments. However, the overwhelming portions of respondents -- 77 PERCENT -- replied that the scheme should have been characterized as an administrative duty legally entrusted by the government to local governments. It appears that local governments feel implementing the government-led policy, which allows them little discretion, can hardly be called autonomy.

(6) Employment reconstruction - labor, management in anguish - part 1: Banks suddenly change attitude in face of possible March crisis: Company resorting to "repayment crunch" at risk of corporate life

TOKYO SHIMBUN (Top Play) (Abridged slightly)
March 6, 2009

Labor-management negotiations in annual spring wage-increase offensive are going on under the banner of a demand for unified wage hikes for the first time in eight years. However, the employment situation has critically deteriorated due to the global recession. Serious anxieties are enveloping the Japanese society. Tokyo Shimbun has probed into corporate efforts to find the end of the tunnel, while delving into the present state of the crisis and its background.

The president of a certain construction-materials manufacturer, which has an office in Tokyo, earlier this month received a reminder from a major bank, its line bank asking for payments of borrowings.

TOKYO 00000511 007 OF 010

That is because the company has been falling behind its debt repayment.

It has been more than 70 years since the father of the president established the company. It has about 30 employees. Its annual business has expanded to 800 million yen. The company achieved a surplus in the previous account settlement.

The situation changed late last year. A bank officer in charge of his company's accounts said, "We are afraid that we will not be able to meet your request for fresh loans."

The president borrowed money from that bank, putting up his own home and factory as collateral six years ago. Since then, he has repaid several million yen a month without delay. He has continued to receive loans worth about 30 million yen at the end of each year, putting that creditworthiness as collateral. The president said, "All small and medium-sized businesses are doing business this way. It is like an annual event." Bank borrowings are the working capital for small and medium-sized companies, which operate with only small amounts. They are the companies' lifeline.

The bank officer in charge did not reveal the reason. The president felt he was talking with a stranger from some other bank. He thought that the bank's notice is tantamount to a death sentence to small and medium-sized businesses.

After much anguish, he chose to protect the employees and their families, instead of allowing his company to go down, by giving priority to debt payments. He decided to counter the banks' credit crunch with a "repayment crunch," meaning delaying debt repayments until the very last moment. He said, "This is a situation that can occur once in a century. Our lives are at stake."

The financial crisis that started in the U.S. and a sharp decline in demand throughout the world have hit corporate cash management, which is a lifeline for companies.

Major companies are procuring capital by issuing commercial papers (CP). As turbulence spread in the market spreads, the market has come to accept only CPs issued by companies with high creditworthiness.

Tension among market participants rose to the utmost extent late last year because of the rumor that Japan's blue-ribbon companies would go bankrupt. The targets of the rumor included leading auto and electronic-appliance manufacturers. It is fair to say that the auto and electronic-appliance industries are Japan's key industries.

Facing a decline in business performances and cash management, financial managers of many listed companies resorted to bank loans. As a result, small and medium-sized businesses have been ousted and made the targets of credit crunch.

Giving heed to the situation, the government and the Bank of Japan extended assistance in an unprecedented manner, including the purchases of CPs. However, according to Tokyo Shoko Research, 994 companies went bankrupt in 2008 due to a shortage of operating capital, topping the 678 companies that collapsed in 1998, a year when domestic banks went under successively. Tension is once again mounting in the run-up to the end of March, when many companies

TOKYO 00000511 008 OF 010

close their books.

(7) TOP HEADLINES

Asahi:

Nishimatsu holds disguised fund-raising parties

Mainichi:

Donations from Nishimatsu-linked group mostly go to Ozawa side

Yomiuri:

Ozawa's ex-secretary sought donations from Nishimatsu

Nikkei:

Government to spend up to 3 trillion yen to help cash-strapped firms

Sankei:

Tokyo prosecutors to question Nikai, his faction members

Tokyo Shimbun:

Nishimatsu-linked groups' donations aimed at construction orders in Tohoku region

Akahata:

Action for spring wage offensive: Need for domestic demand expansion for raising wages and for increasing jobs

(8) EDITORIALS

Asahi:

(1) China's National People's Congress: China aims at 8 PERCENT growth in 2009

(2) We look forward to seeing expect good games in World Baseball Classic

Mainichi:

(1) We expect China's expanding domestic demand

(2) Historical towns also should be preserved

Yomiuri:

(1) Strengthen cooperation to prevent North Korea from firing

Taepodong missile

(2) We want to enjoy the heart of baseball through World Baseball Classic

Nikkei:

(1) Hope for China's expansion of domestic demand, transparency of military spending

(2) Strategy of next generation cell phones to be questioned

Sankei:

(1) DPJ, don't escape from clearing up doubts

(2) China, explain huge national defense expenditures

Tokyo Shimbun:

(1) China should expand domestic demand to support global economy

(2) Flood hazard map for protecting residents

Akahata:

(1) Cash-handout plan: Government, ruling parties are "base"

TOKYO 00000511 009 OF 010

(9) Prime Minister's schedule, March 5

NIKKEI (Page 2) (Full)

March 6, 2009

07:25

Met with Deputy Chief Cabinet Secretaries Matsumoto and Konoike at the Kantei.

09:00

Upper House Budget Committee meeting. Then met with METI Minister Nikai.

12:02

Arrived at the Kantei.

13:00

Upper House Budget Committee meeting.

17:35

Overseas economic cooperation conference at the Kantei. Nikai remained.

18:15

Met with Chief Cabinet Secretary Kawamura, followed by Lower House member Seishiro Eto, chairman of the Dietmen's League to Promote Maritime Nation.

19:07

Dined with Chugai Pharmaceutical Co. President Osamu Nagayama, his younger brother Yutaka and others.

21:55

Arrived at the official residence.

(Corrected copy): North Korean missile: Japan, U.S. confirm close collaboration

NIKKEI (Page 2) (Full)

March 6, 2009

Special Representative for North Korea Policy Stephen Bosworth on March 5 met with Akitaka Saiki, director general of the Foreign Ministry Asian and Oceanian Affairs Bureau, at the Foreign Ministry. Concerning North Korea showing signs of test-launching a ballistic missile, both agreed to ask that nation to restrain itself. They confirmed their stance of closely cooperating with each other, including filing a complaint with the UN Security Council, in the event the DPRK went ahead with the launch.

This is the first meeting between Japanese and U.S. working-level officials in charge of the North Korea issue since the inauguration of the Obama administration.

They confirmed the understanding that the launching of a missile by North Korea is in breach of a UNSC resolution adopted, following its launch of ballistic missiles and nuclear test in 2006.

(Corrected copy): Premier plans to visit Europe during early May Golden Week holidays: Coordination under way for Japan-EU summit in Czech

TOKYO 00000511 010 OF 010

NIKKEI (Page 2) (Full)
March 6, 2009

The Nihon Keizai Shimbun learned on March 5 that Prime Minister Taro Aso is considering visiting Europe during Golden Week holidays in early May. Coordination is now under way for visiting the Czech Republic, the host country of the EU, to hold a Japan-EU summit with Prime Minister Topolanek. He also wants to visit various east European countries, where economic woes are continuing due to the global recession.

Economic cooperation with the Czech Republic, Hungary, Poland and Slovakia (V4) is one of the pillars of the Arc of Freedom and Prosperity, a diplomatic strategy the prime minister advocated when he was foreign minister.

ZUMWALT